

DISTRICT COURT
CITY AND COUNTY OF DENVER

1437 Bannock Street
Denver, CO 80202

Plaintiffs:

RAYMOND AND SALLY MILLER, ET AL., on behalf of
themselves and all others similarly situated.

Defendant:

ENCANA OIL & GAS (USA) INC.

George A. Barton, Mo. Bar No. 26249
Law Offices of George A. Barton, P.C.
800 West 47th Street, Suite 700
Kansas City, MO 64112
(816) 300-6250
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Denver, CO 80203
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ATTORNEYS FOR PLAINTIFFS AND THE CLASS

COURT USE ONLY

Case Number: 05 CV 2753

Courtroom: 19

**NOTICE OF PROPOSED CLASS ACTION SETTLEMENT
WITH DEFENDANT ENCANA OIL & GAS (USA) INC.**

TO: THE MEMBERS OF THE CERTIFIED CLASS

**PLEASE READ THIS NOTICE CAREFULLY. YOUR LEGAL RIGHTS MAY BE
AFFECTED.**

THIS IS NOT A LAWSUIT BY THE DEFENDANT AGAINST YOU.

**THIS IS AN OFFICIAL NOTICE OF A CLASS SETTLEMENT THAT HAS BEEN
REACHED WITH ENCANA OIL & GAS (USA) INC. THAT IS BEING SENT TO YOU
PURSUANT TO COURT ORDER.**

THIS NOTICE OF CLASS SETTLEMENT DOES NOT REQUIRE YOU TO DO ANYTHING. PLEASE FEEL FREE TO CONSULT YOUR OWN ATTORNEY AND TAX ADVISOR CONCERNING THIS NOTICE.

1. WHY YOU SHOULD READ THIS NOTICE

This Notice has been sent to you to inform you about the proposed settlement of the class action lawsuit captioned above ("the Lawsuit") that has been brought on behalf of certain royalty payees (including overriding royalty payees) who have received royalty payments from EnCana Oil and Gas (USA) Inc. ("EnCana") on natural gas (including condensate or natural gas liquids extracted therefrom) produced from EnCana wells in the state of Colorado.

You are being sent this Notice because you are a member of the Plaintiff Class in the Lawsuit. As a member of the Plaintiff Class you previously were mailed a Notice that the Plaintiff Class has been certified by the Court. You are receiving this Notice because the Plaintiffs, on behalf of themselves and the Plaintiff Class in the Lawsuit, have entered into a Settlement Agreement with EnCana which, if approved by the Court, will resolve the claims of the Plaintiff Class against EnCana. The Class Members are referred to in this Notice as the "Class" or the "Class Members". This Notice describes the nature of the Lawsuit, the terms of the proposed Class Settlement, the procedure for Class Members to comment on, or object to, the proposed Class Settlement, and also notifies you that the Judge who is hearing this case, the Honorable Norman D. Haglund, will hold a hearing to decide whether to finally approve the Class Settlement on August 1, 2008 at 9:00 a.m. in Courtroom 19 of the District Court for the City and County of Denver, Colorado, located at 1437 Bannock Street, Denver, Colorado 80202.

2. THE LAWSUIT

Plaintiffs, on behalf of themselves and a Class of similarly situated royalty payees, filed the Lawsuit on April 13, 2005 in the District Court for the City and County of Denver, Colorado. The Lawsuit seeks monetary and declaratory relief against EnCana on behalf of a Class of royalty payees on EnCana's natural gas production in the state of Colorado.

The Plaintiffs claim that EnCana has deducted or adjusted from royalty payments certain charges for costs that should not have been deducted. Specifically, the Plaintiffs claim that EnCana should not have deducted from natural gas royalties any costs incurred to make gas marketable or to deliver gas from the wellheads to the commercial marketplace. These deductions are referred to in this Notice as the "Disputed Deductions." The Plaintiffs also allege that EnCana has improperly reduced the value of natural gas liquids for purposes of calculating royalties by incorrectly pricing the natural gas liquids.

In its answer to Plaintiffs' Complaint, EnCana alleged that the Disputed Deductions are permitted by the leases and overriding royalty agreements (collectively, "the Royalty Agreements") held by the Class, that the gas is marketable at the wellheads, and also asserted other defenses to the claims made by the Plaintiffs.

On May 30, 2006, the Court entered an Order that the Lawsuit may be maintained as a class action lawsuit. The Court at that time designated the eight named plaintiffs in the Lawsuit as representatives of the Class ("Class Representatives"), and also designated attorneys George A. Barton and Charles Carpenter as counsel for the Class ("Class Counsel"). In mid-December, 2007, a Class Certification Notice was mailed to the potential Class Members in the Lawsuit.

Since this case was filed in April, 2005, the parties have engaged in extensive discovery and investigation of the claims at issue. EnCana has, in discovery and voluntarily, provided extensive information and documents to Class Counsel concerning the Royalty Agreements under which the natural gas involved in this case is produced, the number and location of the wells involved, the movement of that gas from the various wellheads to the mainline transmission pipelines, the activities for which the Disputed Deductions were applied, the prices paid by third-party purchasers of residue gas and natural gas liquids produced and sold by EnCana, and data regarding the monetary and volumetric amounts of the Disputed Deductions.

3. THE MEMBERS OF THE CLASS

The members of the Class include the following:

All persons and entities to whom EnCana and its predecessors by merger have paid royalties or overriding royalties (collectively, "Royalties") on natural gas produced from wells located in Colorado ("EnCana wells"), according to the business records maintained by EnCana, pursuant to leases or overriding royalty agreements that do not expressly authorize the deduction of costs incurred to market such gas after it is severed from the wellhead (collectively, "Royalty Agreements"). The defined Class excludes (1) persons or entities who have reached settlement agreements with EnCana relating to Colorado natural gas royalty underpayment claims with respect to the production affected by such settlements; (2) persons and entities who are working interest owners in an EnCana well on whose behalf EnCana has paid royalties for gas production; (3) Indian tribes; (4) the United States of America; (5) the State of Colorado; (6) U.S. AgBank, FCB, f/k/a Farm Credit Bank of Wichita; (7) Anadarko Petroleum Corporation, as successor-in-interest to Union Pacific Resources Company; and (8) EnCana, EnCana's affiliates, EnCana's predecessors-in-interest, and their respective employees, officers and directors; and (9) persons and entities who previously submitted a written request to Class Counsel to be excluded from the Class that has been certified by the Court.

4. THE CLASS SETTLEMENT

As a member of the Class, you are entitled to receive certain benefits in accordance with the proposed Settlement Agreement. The entire Agreement is set forth in the Settlement Agreement which is attached as Exhibit 1 to the Joint Motion for Preliminary Approval of Class Settlement which was filed with the Court on April 3, 2008. This Notice summarizes the terms of the Settlement Agreement. You may, however, review the entire Settlement Agreement in addition to the summary contained in this Notice. You may review the entire Settlement Agreement in the file for the Lawsuit maintained by the Court, or you may make a written request to Class Counsel, at the addresses provided in Section 9 of this Notice, for a copy of the Settlement Agreement. You may also access the Settlement Agreement at the following website: www.georgebartonlaw.com.

EnCana has agreed to pay a total of forty million dollars (\$40,000,000) ("the Settlement Fund") to settle the claims for underpayment of royalties to the Class Members on natural gas produced, sold or taken in-kind by EnCana and/or distributed by EnCana with respect to production through December 31, 2008. The expenses and attorneys' fees of the Class Counsel, and any incentive awards to the Class Representatives, as approved by the Court, will be subtracted from the Settlement Fund to determine the amount available for distribution to the members of the Class ("the Net Settlement Fund").

The allocation of the Net Settlement Fund to the Class Members will be based primarily on the volume of gas produced and sold by EnCana attributable to each Class Member's royalty interest during a pre-determined period of time, in proportion to the total volume attributable to the royalty interests of all members of the Class over that same period of time.

Paragraph 10 of the Settlement Agreement expressly addresses the allocation of post-wellhead expenses between EnCana and the Class Members in the future. EnCana will continue to calculate and pay royalties to the Class Members for production of natural gas sold in 2008 in the same manner that was used for December 2007, except as specified in the Settlement Agreement. For natural gas produced and sold by EnCana on and after January 1, 2009, the Class Members' royalties on natural gas production will be paid pursuant to one of the applicable Future Payment Methods described in the Settlement Agreement, which are generally described as follows:

- (1) For natural gas processed at the Fort Lupton and Dragon Trail Plants, EnCana will pay royalty based on the application of weighted average sales prices actually received by EnCana from non-affiliated third-party purchasers of residue gas and natural gas liquids at the tailgate of EnCana's Ft. Lupton or Dragon Trail Plants, to volumes measured and calculated in

accordance with Exhibit H of the Settlement Agreement, based upon the following definitions and assumptions:

- (a) EnCana shall be entitled to a volumetric deduction equal to 3% of the total MCF volume produced under the Leases, as determined at the first meter after the wellhead of each well located on the Leases where both volume is measured and BTU content is sampled.
 - (b) EnCana shall also be entitled to deduct from the values calculated pursuant to the Settlement Agreement the sum of 27.06 cents per MCF of the gross volumes at the Measurement Point. This 27.06 cents per MCF deduction shall be subject to an escalator of 2% per annum, such escalator to be effective January 1, 2010.
- (2) For natural gas transported to the Meeker Plant (including Bullfork/Eureka, Clough Rulison, Divide Creek, Jolley (Mesa), Log (Mesa), Mamm Creek/Rifle, Mamm Creek/North Parachute, Mamm Creek/Orchard, Mallard, and South Parachute), EnCana will pay royalty based on (i) 98.5% of the wellhead MMBTU measured at or near the wellhead before the unit compressor times (ii) the weighted average sales price of the residue gas netted back to the delivery point into the first long distance pipeline after the plant outlet (*i.e.*, after deduction of transportation costs, including fuel, on the long distance pipeline), less only the actual fees paid by EnCana to the owner of the Piceance Creek Pipeline (not including any fuel charges) for gas delivered to the Meeker Plant through the Piceance Creek Pipeline or any successor or replacement pipeline for the Piceance Creek Pipeline. If natural gas from any other fields currently covered by a different subparagraph of Paragraph 10 of the Settlement Agreement is subsequently transported to the Meeker Plant, the royalty methodology described in this subparagraph will apply to that natural gas.
- (3) For natural gas produced from Andy's Mesa (including Slick Rock deliveries), Lisbon (to the extent the wells are in Colorado), Plateau Creek, Bonanza South Canyon, and Mesa City to RMNGC Farm Taps, EnCana will pay royalty based on (i) 100% of the MMBTU measured at or near the wellhead times (ii) the weighted average sales of the gas netted back to the delivery point into the first long distance pipeline connected to the field (*i.e.*, after deduction of transportation costs, including fuel, on the long distance pipelines). For natural gas produced from Hamilton Creek and West Rulison/Carbonera, EnCana will pay royalty using this same methodology, except that the volume will be based on 100% of the MMBTU measured at the central delivery point in the field. The parties agree that TransColorado, Northwest Pipeline, and Rocky Mountain Natural Gas Pipeline, or any successor or replacement pipeline for those pipelines, qualify as long distance pipelines. In addition, deductible transportation costs include costs incurred on any other pipelines downstream from those pipelines, on which the gas is transported prior to sale. EnCana will not deduct gathering or treating charges (including fuel) by Bargath, Williams or Canyon.
- (4) For natural gas produced from Roan Cliffs, Buzzard Creek, Calf Canyon/Gasaway, Foundation Creek, Lower Horse Draw D-18, Sagebrush/Coral Creek, and Trail Ridge, EnCana will pay royalty based on (i) 100% of MMBTU measured at or near the wellhead times (ii) the weighted average sales price of the gas netted back to the delivery point into the first long distance pipeline connected to the field (*i.e.*, after deduction of transportation costs, including fuel, on the long distance pipelines). The parties agree that the transportation deduction will only include charges for transportation (including fuel) on Northwest Pipeline, Questar Pipeline, CIG, PSCO, and Rocky Mountain Natural Gas or any successor or replacement pipelines for those pipelines (and pipelines downstream from those pipelines, on which the gas is transported prior to sale), and EnCana will not deduct gathering or treating charges (including fuel) by Bargath, Williams or Canyon.
- (5) For natural gas produced from White River Dome, EnCana will pay royalty based on (i) the receipt volume of residue gas at the tailgate of the processing plant in or near the field

(currently operated by SouthTex Treating) times (ii) the weighted average sales price of the gas netted back to the delivery point into the first long distance pipeline after the plant outlet (i.e., after deduction of transportation costs, including fuel, on the long distance pipelines), less (iii) 40% of the costs paid for processing and treating to White River Electric, SouthTex Treating (or their successors). EnCana will also pay royalty on the condensate natural gas liquids recovered from the natural gas produced based on the weighted average sales price for those liquids netted back to the tailgate of the plant (EnCana will be entitled to deduct all reasonable fractionation and transportation costs incurred downstream of the plant).

- (6) For natural gas currently reported in the EnCana accounting system as DJ Basin, Non Op, Non Op Kerr-McGee, and Other Weld County, EnCana will pay royalty based on the proceeds it receives, plus one-half of the deductions for gathering and processing made by the operator or purchaser from prices paid by third party purchasers in the calculation of the proceeds paid to EnCana. To the extent EnCana's proceeds reflect deductions for transportation (including fuel) on mainline pipelines, such deductions will be allowed in the calculation of royalty.

Upon final Court approval, all members of the Class will receive the benefits of the Class Settlement and will be bound by the resulting Order in the Lawsuit, barring them from bringing any claim against EnCana related to royalty calculations which are covered by the Settlement Agreement ("Settled Claims"). Each Class Member will receive payment of a portion of the Settlement Fund equal to each Member's percentage entitlement times the amount of the Settlement Fund available for distribution, and the Class Members may not thereafter bring Claims. Additionally, EnCana will pay and report royalties in the future according to the applicable Future Payment Method, and royalty payments made on gas production on and after January 1, 2009 in accordance with the Future Payment Method shall satisfy EnCana's contractual obligations to each Class Member. If you sell or transfer your interest, the new owner or transferee also will be entitled to receive, and will be bound to accept payment of, future royalties calculated in accordance with the applicable Future Payment Method.

5. THE COURT HAS PRELIMINARILY APPROVED THE CLASS SETTLEMENT

The Court has preliminarily approved the proposed Class Settlement. This does not mean that Plaintiffs would be successful if the case went to trial. The Court has made no final determination as to the merits of the Lawsuit, and this Notice and the proposed Class Settlement do not imply that EnCana is liable to Plaintiffs or to any member of the Class for any of the Claims.

6. DISTRIBUTION OF THE SETTLEMENT FUND

As a Class member, **you do not need to take any action whatsoever to receive your allocated share of the Settlement Fund.** The Class Counsel will represent your interests as a member of the Class. You will not be charged for their services or any costs other than the payment of attorneys' fees and expenses from the Settlement Fund that are approved by the Court. However, you will be bound by the judgment and final disposition of the case, and you may receive a distribution check for your share of the Settlement Fund approximately 60 days after the Final Approval Date of the Class Settlement (as defined in the Settlement Agreement), all appeals have been exhausted, and all applicable time periods for appeal have expired. Distribution of each Class Member's allocated share of the Settlement Fund will be made by check mailed to the same address this Settlement Notice was sent. As a Class Member, you will be barred from bringing any further legal action against EnCana or its affiliates as described in Section 3 of this Notice.

Should the Class Settlement be approved, you will:

- 1) Receive your allocated share of the Settlement Fund, if eligible.
- 2) Release all Settled Claims.
- 3) Consent to the calculation of the royalty value pursuant to the Future Payment Method.

Excluded from Settled Claims are claims arising out of any mathematical mistakes by EnCana concerning volumes, price, value or decimal interest when calculating royalty payments arising on or after January 1, 2008.

7. CLASS COUNSEL'S APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

At the Final Approving Hearing, the Court will determine the reasonable amount of attorneys' fees and expenses to be awarded to Class Counsel. Class Counsel will make application to the Court for an award of attorneys' fees, and for reimbursement of out-of-pocket expenses incurred on behalf of the Class, to be paid from the Settlement Fund. Class Counsel's application for an award of attorneys' fees will be for an amount which is approximately one-third of the Settlement Fund, after subtraction of out-of-pocket expenses.

8. CLASS REPRESENTATIVES' REQUEST FOR INCENTIVE AWARDS

At the Final Approval Hearing, the Court will determine whether to make incentive awards to the eight Class Representatives who have prosecuted this Class Action on behalf of the Class. The total amount of the incentive awards which will be requested by the Class Representatives will not exceed the sum of Sixty Seven Thousand Five Hundred (\$67,500.00), for all of the Class Representatives combined.

9. RIGHT TO OBJECT TO, OR COMMENT ON, THE PROPOSED CLASS SETTLEMENT

As a Class Member, you may object to, or comment on, the proposed Class Settlement, including the requested attorneys' fees and the requested Class Representative incentive awards. **All objections shall be in writing and must be filed on or before June 30, 2008 with this Court, at the following address: Clerk of the Court, District Court for the City and County of Denver, 1437 Bannock Street, Denver, Colorado 80202.** Any such written objection or comment must include your full name, EnCana owner number(s) (if known), address, telephone number, and should reference the case name and number for this Lawsuit, as follows: *Raymond and Sally Miller, et al. v. EnCana Oil & Gas (USA) Inc.*, Case No. 05 CV 2753. Any objection or comment must also be mailed to each of the following Counsel, and postmarked on or before June 30, 2008:

Counsel for the Class:

GEORGE A. BARTON
LAW OFFICES OF GEORGE A. BARTON, P.C.
800 W. 47TH ST., SUITE 700
KANSAS CITY, MO 64112
PHONE: (816) 300-6250
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Counsel for EnCana:

JOHN SHEPHERD
CRAIG E. STEWART
HOLLAND & HART LLP
555 17TH STREET, SUITE 3200
DENVER, CO 80202
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FAX: (303) 295-8261

In addition, any written objection must include: (a) a written statement of the position that the objector wishes to assert; (b) a written statement of the grounds for that objection; and (c) copies of any papers, briefs or other documents the objector may submit in support of his or her objection.

Objections not timely and properly asserted may be summarily denied at the Final Approval Hearing. Any Class Member who does not file objections in a timely manner may be foreclosed from raising an objection to such matters.

10. RIGHT TO APPEAR AT THE FINAL APPROVAL HEARING

Attendance at the Final Approval Hearing is not required, even if you timely and properly submit a written objection or comment. However, if you or an attorney of your choice would like to attend the Final Approval Hearing, you are welcome to attend the Hearing at your own expense. **If you or your attorney wish to be heard at the Final Approval Hearing, you must file a notice of intent to appear at the Final Approval Hearing with the Court, at the above address, with reference to the case name and number for this Lawsuit, by June 30, 2008.**